

	The applicable amount is:	The phase-out amount is:
In the case of a joint return	\$60,000	\$10,000
In the case of a head of household	\$45,000	\$7,500
In any other case	\$30,000	\$5,000

“(D) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

“(E) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2008, each of the applicable amounts in the second column of the table in subparagraph (C) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$500.

“(2) EARNED INCOME LIMITATION.—The amount of the credit allowable under subsection (a) to any taxpayer for any taxable year shall not exceed the earned income (as defined by section 32(c)(2)) of such taxpayer for such taxable year.

“(c) QUALIFIED INDIVIDUAL.—For purposes of this section, the term ‘qualified individual’ means the individual designated as the qualified individual of the disability savings account (as defined in section 530A(a)).

“(d) QUALIFIED DISABILITY SAVINGS CONTRIBUTIONS.—The term ‘qualified disability savings contributions’ means, with respect to any taxable year, the aggregate contributions made by the taxpayer to the disability savings account (as so defined) with respect to which such taxpayer is the qualified individual.

“(e) TREATMENT OF CONTRIBUTIONS BY DEPENDENT.—If a deduction under section 151 with respect to an individual is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins—

“(1) no credit shall be allowed under subsection (a) to such individual for such individual’s taxable year, and

“(2) any qualified disability savings contributions made by such individual during such taxable year shall be treated for purposes of this section as made by such other taxpayer.”

(b) REFUNDABLE AMOUNT CREDITED TO INDIVIDUAL DISABILITY ACCOUNT.—

(1) TRANSFER OF AMOUNT TO DISABILITY SAVINGS ACCOUNTS.—Section 6402 of the Internal Revenue Code of 1986 (relating to authority to make credits or refunds) is amended by adding at the end the following new subsection:

“(1) SPECIAL RULE FOR OVERPAYMENTS ATTRIBUTABLE TO CREDIT FOR CONTRIBUTIONS TO DISABILITY SAVINGS FUNDS.—

“(1) IN GENERAL.—In the case of any overpayment attributable to the credit allowed under section 36, the Secretary shall transfer such amount to the disability savings account to which the taxpayer made a qualified disability savings contribution.

“(2) TRANSFERS TO MORE THAN 1 ACCOUNT.—If the taxpayer made qualified disability savings contributions to more than 1 disability savings account, the Secretary shall transfer the overpayment described in paragraph (1) to each such disability savings account in an

amount that bears the same ratio to the amount of such overpayment as—

“(A) the amount of qualified disability savings contributions made by such taxpayer to such disability savings account, bears to

“(B) the amount of qualified disability savings contribution made by such taxpayer to all disability savings accounts.

“(3) QUALIFIED DISABILITY SAVINGS CONTRIBUTION.—For purposes of this subsection, the term ‘qualified disability savings contribution’ has the meaning given such term by section 36(d).”

(2) SEPARATE ACCOUNTING FOR REFUNDABLE AMOUNTS.—

(A) IN GENERAL.—Section 530A(a) of such Code, as added by this Act, is amended by adding at the end the following new paragraph:

“(7) The trust provides a separate accounting for contributions transferred by the Secretary under section 6402(l).”

(B) SPECIAL RULES FOR CONTRIBUTIONS ATTRIBUTABLE TO DISABILITY SAVINGS ACCOUNT CREDIT.—Section 530A of such Code, as added by this Act, is amended by adding at the end the following new subsection:

“(g) SPECIAL RULES FOR CONTRIBUTIONS ATTRIBUTABLE TO CREDIT FOR DISABILITY SAVINGS ACCOUNT CONTRIBUTIONS.—

“(1) INCREASE IN ADDITIONAL TAX.—In the case of a distribution which includes an amount transferred by the Secretary under section 6402(l) (including any earnings attributable to such amount) and which, but for this paragraph, would be includible in gross income—

“(A) such amount shall not be included in gross income, and

“(B) subsection (c)(4) shall be applied by substituting ‘100 percent’ for ‘10 percent’.

“(2) ORDERING RULES.—For purposes of applying this subsection to any distribution from a disability savings account—

“(A) IN GENERAL.—Except as provided in subparagraph (B), such distribution shall be treated as made—

“(i) first from amounts contributed to the account other than by reason of section 6402(l), and

“(ii) second from amounts transferred by the Secretary under section 6402(l).

“(B) EXCEPTION FOR DISTRIBUTIONS FOR QUALIFIED SERVICES OR PRODUCTS.—In the case of a distribution for qualified services or products, such distribution shall be treated as made—

“(i) first from amounts transferred by the Secretary under section 6402(l), and

“(ii) second from other amounts contributed to the account.”

(c) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting before the period at the end “, or enacted by the Disability Savings Act of 2008”.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the item relating to section 36 and inserting the following:

“Sec. 36. Disability savings account matching contributions.

“Sec. 37. Overpayments of tax.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 6. CREDIT TO INSTITUTIONS FOR MAINTAINING DISABILITY SAVINGS ACCOUNTS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

“SEC. 450. DISABILITY SAVINGS ACCOUNT INVESTMENT CREDIT.

“(a) DETERMINATION OF AMOUNT.—For purposes of section 38, the disability savings account investment credit determined under this section with respect to any eligible entity for any taxable year is an amount equal to the disability savings account investment provided by such eligible entity during the taxable year.

“(b) DISABILITY SAVINGS ACCOUNT INVESTMENT.—For purposes of this section, the term ‘disability savings account investment’ means an amount equal to \$50 with respect to each disability savings account (as defined in section 530A(a)) maintained—

“(1) as of the end of such taxable year, but only if such taxable year is within the 7-taxable-year period beginning with the taxable year in which such Account is opened, and

“(2) with a balance of not less than \$100 (other than the taxable year in which such account is opened).

“(c) ELIGIBLE ENTITY.—For purposes of this section, except as provided in regulations, the term ‘eligible entity’ means any entity which is the trustee of a disability savings account (as so defined).

“(d) DENIAL OF DOUBLE BENEFIT.—

“(1) IN GENERAL.—No deduction or credit (other than under this section) shall be allowed under this chapter with respect to any expense which is attributable to the maintenance of a disability savings account.

“(2) DETERMINATION OF AMOUNT.—Solely for purposes of paragraph (1), the amount attributable to the maintenance of a disability savings account shall be deemed to be the dollar amount of the credit allowed under this section for each taxable year such disability savings account is maintained.”

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) of such Code (relating to current year business credit) is amended by striking “plus” at the end of paragraph (30), by striking the period at the end of paragraph (31) and inserting “, plus”, and by adding at the end the following new paragraph:

“(32) the disability savings account investment credit determined under section 450(a).”

(c) CONFORMING AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

“Sec. 450. Disability savings account investment credit.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2007.

SEC. 7. TREATMENT OF DISABILITY SAVINGS ACCOUNTS UNDER CERTAIN FEDERAL PROGRAMS.

(a) TREATMENT AS A MEDICAID EXCEPTED TRUST.—Paragraph (4) of section 1917(d) of the Social Security Act (42 U.S.C. 1396p(d)(4)) is amended by adding at the end the following new subparagraph:

“(D) A trust which is a disability savings account described in section 530A(a) of the Internal Revenue Code of 1986.”